



TFSA Investors: Why This Monthly Dividend Stock Is a Strong Buy Now

Description

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) was founded 65 years ago. So, it has plenty of experience transporting energy and providing midstream services. Most important for investors, Pembina has been an incredible long-term investment!

Pembina stock is a winner

If the past is any indicator of the future, then Pembina has been outstanding and will continue to lead with outperforming returns against the market and its larger peers. Notably, we used **S&P 500** as a proxy for market returns, as the U.S. market tends to outperform the Canadian market.

Stock/Index	Five Year ¹	10 Year ¹	15 Year ¹	Dividends ²
Pembina	7.9%	14.5%	11.4%	\$19,475
S&P 500	10.8%	13.1%	7.9%	\$4,254
Enbridge	4.9%	11.8%	10.9%	\$14,703
TC Energy	9%	9.5%	8%	\$10,262

¹ Annualized returns over the period

² Dividends received on a \$10,000 investment over 15 years

It can be a fluke if Pembina is a winner sometimes, but it has beaten the market and its peers in total returns over the long periods of 10 and 15 years. It also delivered greater income to long-term investors, whether it was over five, 10, or 15 years!

Still performing well

Pembina's business has been performing well in the face of low energy prices.

In the first nine months of the year, Pembina's core pipeline and facility businesses were stable with volumes increasing marginally and gross profits rising meaningfully higher.

This resulted in Pembina generating net revenue of \$2.28 billion, up 7% against the comparable period in the prior year. Gross profits climbed 10% to \$1.83 billion, adjusted EBITDA rose 7% to \$2.27 billion, and adjusted operating cash flow per share increased by 2% to \$3.25.

Why Pembina is a strong buy now

Pembina stock is more attractive than Enbridge and TC Energy in that it offers the best total returns potential in the near term. According to the average 12-month analyst target, it has upside potential of almost 20%. That's double the long-term average market returns, excluding the dividend!

Conveniently, Pembina pays a [monthly dividend](#), which is good for a yield of 5.1% at \$47 per share as of writing. Other than putting incremental projects into service to expand its energy infrastructure network, Pembina also makes strategic acquisitions. Both are growth drivers that encourage price appreciation and income growth.

Year to date, Pembina's capital spending was \$1.2 billion, up 40% year over year. Capital was largely invested in pipeline expansion and gas facility building projects.

On closing [the Kinder Morgan acquisition](#), which is expected in the first quarter of 2020, Pembina will increase its monthly dividend by 5%, implying a forward yield of nearly 5.4%.

Investor takeaway

Income, value, total returns, and conservative investors should consider buying Pembina stock now. Not only does the stock provide stable monthly income, but it also trades at a wonderful discount today.

A good combination of value, income, and a track record of growth and outperformance make Pembina stock a fabulous buy for tax-free income and price gains in TFSAs.

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